TODD
Asset Management

July 17, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q2 2024 International Intrinsic Value Opportunity Review

	2Q 2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International IV Opportunity (Gross)	-1.45%	4.81%	16.95%	3.79%	6.98%	5.36%	3.42%
International IV Opportunity (Net)	-1.66%	4.37%	15.98%	2.92%	6.08%	4.47%	2.56%
MSCI ACWI ex-US (Net)	0.96%	5.69%	11.62%	0.46%	5.55%	5.17%	3.84%
MSCI ACWI ex-US Value (Net)	1.26%	4.70%	13.44%	3.54%	5.29%	4.41%	2.76%

* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information*.

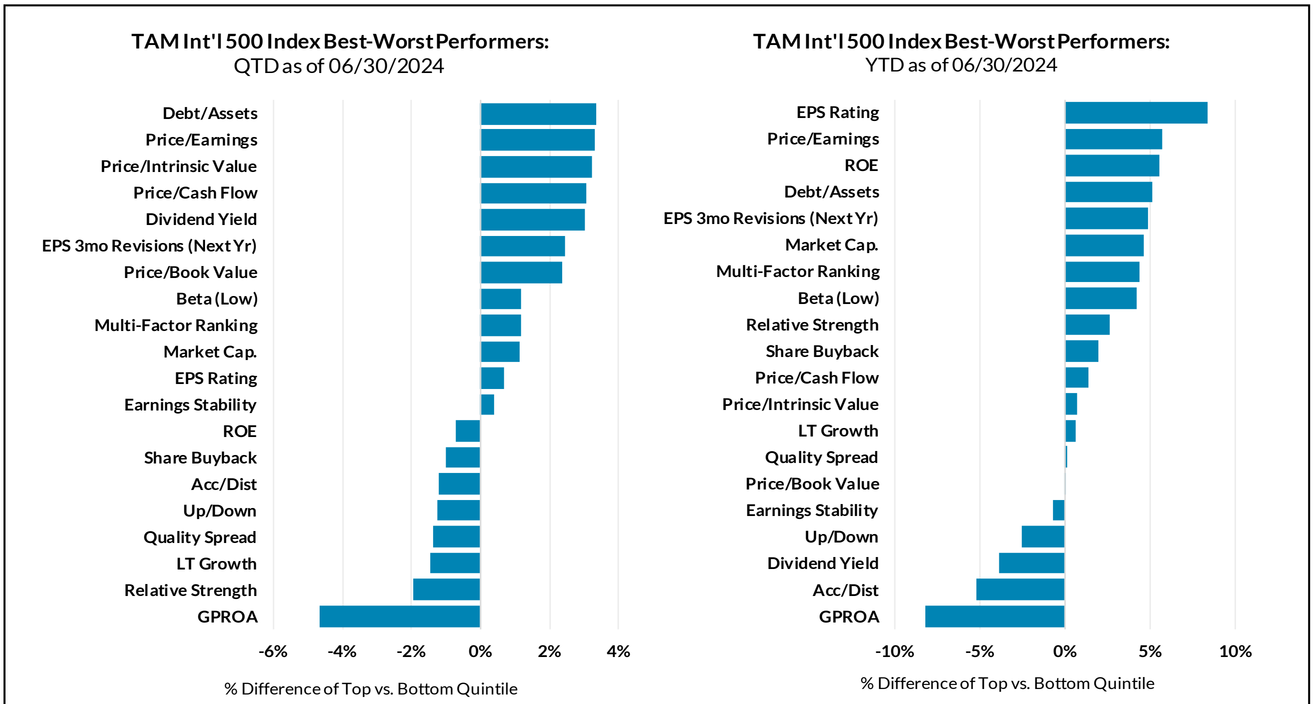
Performance Review

Our International IV Opportunity strategy underperformed the ACWI ex-US in the second quarter with most of this lag occurring in the month of June as the market narrowed. While not as egregious as the S&P 500 where concentration among the top 5 names is historically high, the largest companies in the international universe outperformed in the last few weeks of the quarter as investors started to question the resiliency of the global economy. We remain constructive on several secular and cyclical dynamics that should support growth going forward.

Normalization was a major topic in our last quarterly letter as we noted inflation and policy rates in most of the developed world were becoming less restrictive. This continued in the second quarter as the ECB (European Central Bank) started its rate cutting cycle in early June and longer-term Japanese interest rates continued to move higher into positive territory. Policy easing/normalization has historically been positive for stock returns over the next 12 months, as we've illustrated in the past. However, investor concerns started to accumulate in the last few weeks of June as several soft economic data readings raised questions around the self-sustaining momentum of global growth. These concerns are more observable below the surface as most major country indices continue to trade at or near all-time highs. We witnessed more selectivity from investors in June as Technology was a disproportionate outperformer among sectors (up nearly 9% while most other sectors were down -2-3%). As we will highlight in the factor attribution section, the largest names also handily outperformed the rest of the universe. One common denominator among these narrow observations is the AI trade. This has led to large dispersions in the US with the Nasdaq dramatically outperforming the rest of the market this year as growth expectations increased for many of the early beneficiaries of AI. Most of the names in this subset have very elevated multiples so they aren't usually eligible for this particular strategy.

Our Energy, Materials and Financial holdings should benefit from the cyclical recovery occurring as earnings and manufacturing activity rebound and policy rates normalize. We remain constructive on the prospects for growth and thus believe more widespread participation in this bull market should return.

Factor Performance[1]



Source: Bloomberg, William O'Neill + Co. and Todd Asset Management

Value leadership resumed as every Value metric outperformed in the quarter. Quality measures along with several technical metrics (Relative Strength, Up/Dow and Accumulation/Distribution) ranked at the bottom of the list. While not shown here, Market Cap was the top performing metric in the month of June. This coincided with a narrowing of the market in the last few weeks of the quarter that saw the largest names in both the US and international universes outperform on macro and political uncertainty. While Price/Intrinsic Value was among the best performing metrics in the quarter, none of the other measures we use to construct the portfolio were additive.

Performance Attribution

The strategy's underperformance during the second quarter was driven mostly by stock selection in the Materials and Health Care sectors. The regions that detracted the most from performance were Emerging Markets and Europe where we had some Chinese and Materials linked companies that underperformed. Other regions were mixed with Industrials largely underperforming while Financials and Energy (both overweight) provided tailwinds. An underweight in the Information Technology sector also detracted from performance as AI beneficiaries performed well during the quarter.

Our top five performing companies for the quarter were Natwest Group, PDD Holdings, Frontline PLC, 3I Group, and Logitech. Natwest Group outperformed during the quarter after management raised net interest margin forecasts and announced a summer retail share offering was likely; this was a bullish development as it would dilute the UK government's stake in the company to below 20%. PDD Holdings performed well in the second quarter on strong earnings that significantly exceeded analyst expectations. Net margins reached a historical high of 32.3% while PDD was able to increase its monetization rate. Frontline PLC outperformed during the quarter as the IEA increased its 2024 global oil demand forecast and Suez Canal risks continue to boost crude tanker demand and rates. 3I Group posted strong results and saw positive price action during the quarter as its "Action" portfolio company handily beat expectations on all major fronts and generated strong free cash flow while deleveraging the balance sheet. Logitech shares rallied during the quarter as analysts took up earnings expectations due to optimism around Logitech's leverage to artificial intelligence enabled PC's.

Our bottom five performing companies for the quarter were Stellantis, Vipshop, ArcelorMittal, Banco Bilbao, and Randstad. Stellantis gave back most of their first quarter gains as bloated inventories in the US will likely lead to discounting and more negative price-mix. The cyberattack at CDK Global (car dealership software provider) led to a multi-day system shutdown during the quarter which added to the inventory problem. Vipshop shares suffered on the back of soft Chinese consumer sentiment and increased competition. Pricing promotions had been more intensified at the larger eCommerce giants, but that has now spilled over into the specialty and discount retail marketplaces. Economic headwinds in China weighed on steel demand during the quarter and this hit shares of ArcelorMittal. The flat steel cycle remains soft, and spreads have been in decline in most key markets. Banco Bilbao proposed a takeover bid for Banco de Sabedell during the quarter, seeing shares of Banco Bilbao react poorly as investors digested the news. The deal would make Banco Bilbao the second largest bank in Spain by market share, but this comes with integration risks. Given ongoing weakness in temp staffing data in Europe, Randstad shares failed to move higher during the quarter. Management noted that volumes have stabilized at lower levels and that manufacturing and logistics remain challenging verticals.

We are always available via email or phone and welcome your calls. If you have any questions, please feel free to contact any of us for further information.

Curt Scott, CFA   Jack White, CFA   Jack Holden CFA   Shaun Siers, CFA

07/17/2024
MSCI ACWI ex-US (Net) – 317
MSCI ACWI ex-US Value (Net) – 188

Refer to Performance Disclosure on the following page for more information on the performance numbers presented. These notes are an integral part of this letter and should not be reproduced or duplicated without these notes.

1. TAM Int'l 500 Index is a list of the 500 largest US listed international companies by market cap. This list is used for factor analysis where the index is ranked/sorted by a certain factor then divided into quintiles. Returns are then calculated on a monthly basis for each quintile.

TODD ASSET MANAGEMENT LLC
INTERNATIONAL INTRINSIC VALUE OPPORTUNITY COMPOSITE DISCLOSURE

Past performance does not provide any guarantee of future performance, and one should not rely on the composite or any security's performance as an indication of future performance. Investment return and principal value of an investment will fluctuate so that the value of the account may be worth more or less than the original invested cost. There is no guarantee that this investment strategy will work under all market conditions.

Specific stocks discussed are included to help demonstrate the investment process or, as a review of the Composite's results; and are not intended as recommendations of said securities and carry no implications about past or future performance. All or some of the specific stocks mentioned may have been purchased or sold by accounts within the Composite during the period, or since the period, and may be purchased or sold in the future. The compilation of information contained herein reflects the views and opinions of TAM financial professionals at the time of creation which may change at any time without prior notification. There is no guarantee that any forward-looking opinions will occur.

Todd Asset Management LLC ("TAM") is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The performance presented represents a composite of fully discretionary accounts invested primarily in large cap internationally domiciled, US traded equity securities using a rules-based process based on intrinsic value, financial strength, profitability strength, and market acceptance. The objective is to seek capital appreciation.

Todd Asset Management LLC, formerly Todd-Veredus Asset Management LLC began operations on June 1, 1998 as Veredus Asset Management LLC (VAM). Effective May 1, 2009, VAM combined with Todd Investment Advisors, Inc. (TIA). TIA (and its predecessors) was founded in 1967 by Bosworth M. Todd. Upon the combination of VAM and TIA in 2009, Veredus Asset Management LLC changed its name to Todd-Veredus Asset Management LLC (TVAM). On February 28, 2013, after a change in ownership involving some VAM unitholders, TVAM changed its name to Todd Asset Management LLC. The firm continues to offer the same strategies managed by individuals using the process founded under TIA.

The International Intrinsic Value Opportunity Composite contains fully discretionary accounts that use the MSCI ACWI ex-US Index as the benchmark. All fee-paying, fully discretionary portfolios under our management are included in a composite. Accounts are eligible for inclusion in the composite at the beginning of the first calendar quarter after the month of initial funding and upon being fully invested.

TAM claims compliance with the Global Investment Performance Standards (GIPS®). The Firm has been independently verified for the periods January 1, 2008 through December 31, 2023. VAM was verified for the period July 1, 1989 through December 31, 2007 by a previous verifier. TIA's compliance with the GIPS® standards has been verified for the period January 1, 1993 through April 30, 2009. The International Intrinsic Value Opportunity Composite has been examined for the periods July 1, 2014 through December 31, 2023. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive additional information regarding TAM, including a GIPS Composite Report for the strategy presented, contact Monica Slyter at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or mslyter@toddasset.com.

The performance information is presented on a trade date basis, both gross and net of management fees, net of transaction costs and foreign withholding taxes, and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of 0.80% applied monthly. Actual investment advisory fees incurred by clients may vary. The currency used to calculate and express performance is U.S. dollars. All cash reserves and equivalents have been included in the performance.

The composite performance has been compared to the following benchmark. The index is unmanaged, and not available for direct investment; it includes reinvestment of dividends; it does not reflect management fees or transaction costs. The volatility of the index and a client account will not be the same.

MSCI ACWI ex-U.S. (net) Index is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. The ACWI ex-U.S. includes both developed and emerging markets. For investors who benchmark their U.S. and international stocks separately, this index provides a way to monitor international exposure apart from U.S. investments. The net index considers the impact of tax withholdings on dividend income.

MSCI ACWI Value (net) Index is a float-adjusted index of securities exhibiting overall value style characteristics across both developed and emerging markets. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

Risks - Investments involve varying degrees of risk, and there can be no assurance that this product is suitable for your investment portfolio. The International Opportunity product is designed for long-term investors who are willing to accept short-term price fluctuations. This product generally holds 30 securities and is rebalanced every 3 months, thus it is more concentrated and may generate more investment turnover than other products. It is not required to be diversified by sector, and should be considered a more sector concentrated, aggressive application of the price to intrinsic value investment philosophy. There are general and market risks involved in this product, along with the risks of ownership in a foreign security (ADR, or similar securities) including political instability, confiscation of property, reduced legal protection, market liquidity, and adverse changes in currency exchange rates. Investing in emerging market securities can magnify these risks due to their smaller economies. There are times the overall market may not favor value-style investing, and it is possible the intrinsic value of the underlying stocks may never be realized.